What is Special Access?

- **Special access refers to the dedicated connections used to connect two locations**
  - Carriers use special access to connect their own network points of presence ("POPs") to the incumbent carrier's central office
  - Carriers also use special access to reach customer locations
  - End user customers use special access (referred to also as private lines) to connect two or more locations
  - Special access is typically sold in capacity units referred to as DS1s and DS3s
    - DS1s are equivalent to 24 single voice channels
    - DS3s are equivalent to 28 DSIs
  - Special access is priced in two basic components
    - Channel termination (there are two for each circuit, one on each end)
    - Mileage component (priced on a per-mile basis)
  - While historically special access services were offered over copper loop plant, fiber is the predominant medium today and customers are not convinced wireless technologies can offer the same degree of security and reliability as fiber

Who Offers Special Access Services?

- **Historically, special access services were offered by incumbent local exchange carriers**
  - In the 1980s competitive access providers ("CAPs" such as TCG and MFS) emerged to offer competitive special access services
  - In the 1990s, these CAPS evolved into competitive local exchange carriers ("CLECs")
- **Incumbent local exchange carriers continue to dominate the special access market**
  - Over 90% of Global Crossing's access spend goes to incumbent carriers
  - Ad Hoc Telecommunications Users Committee states that 94% of its members' access spend goes to incumbent carriers
  - Choice is further limited by volume and term discounts that lock customers into the services of the incumbent local exchange carriers
- **CLECs are competitive in a limited geography**
  - Circuit analysis has shown that CLECs cannot support Global Crossing's special access requirements over a wide geography
  - Even within the business districts many buildings remain unserved
  - Suburban and ex-urban office locations are only served by the RBOCs
  - Lengthy delays and high costs related to right-of-way and building access limit CLEC expansion
  - Access to capital is limited, also limiting CLEC expansion

Choice is Further Limited by Volume Discount Plans

- ## AT&T
  - MVP Discount Plan: Must maintain 95% of baseline year's special access spend over a 5 year term to receive a discount on special access services. *See Ameritech FCC Tariff 2, section 19; PACBell FCC Tariff 1, section 22; SWBT FCC Tariff 73, section 38,*
  - HCTPP Discount Plan: Must commit to a base level spend on dedicated T-1s, and maintain 91% of that spend over a 5 year term to receive a discount. *See SWBT FCC Tariff No. 73, Secfion 7.2.20.*
  - DS1 TPP Discount Plan: Must commit to a base level of DS-1 channel terminations and maintain 80% of that level for 3 years to receive a discount. *See PacBell FCC Tariff No. 1, Section 7.4.18.*

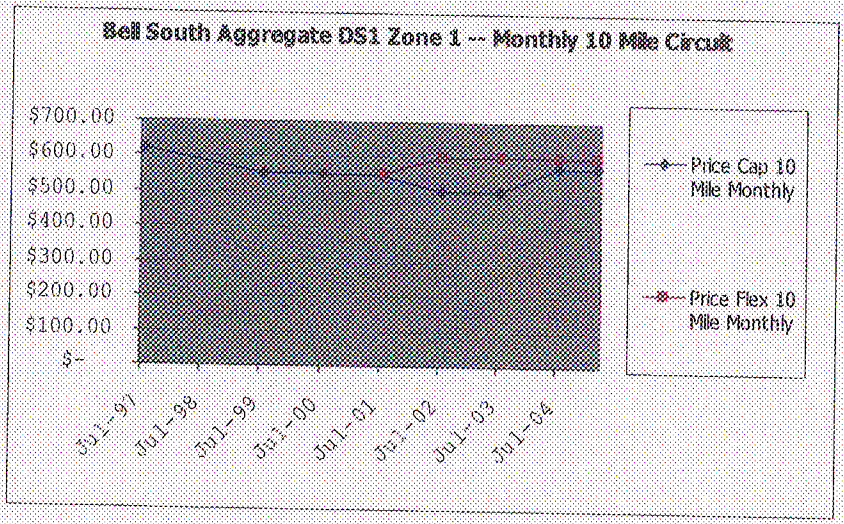
- ## BellSouth
  - ACP Discount Plan: Must maintain a Global Crossing/Bellsouth negotiated commitment level, normally 90%, to receive the discount. This covers dedicated DS0's/DS1's, which are signed up for 49 months, and switched DS1's/DS3's, which are signed up for 24 months. *See Bellsouth FCC Tariff, section 2.4.8.b.*
  - TAP Discount Plan: Must maintain between $10 million and $100 million monthly revenue to receive the discount. *See Bellsouth FCC Tariff, section 2.4.8.h*

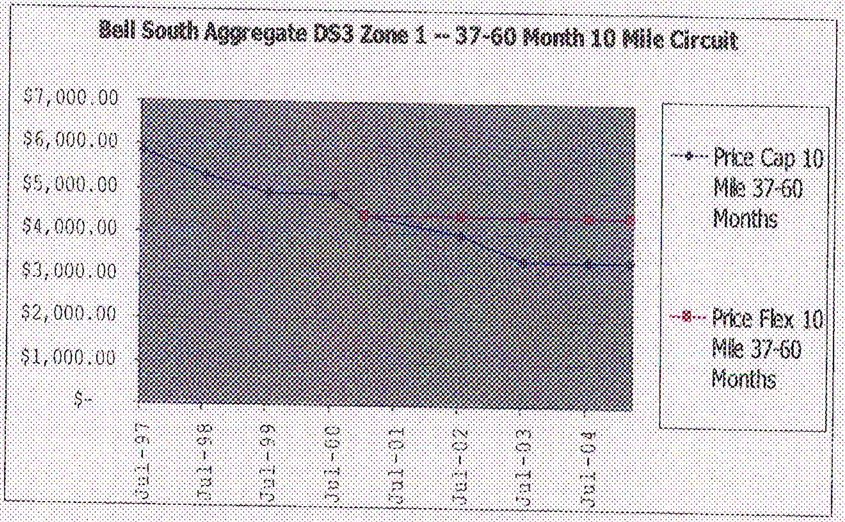
- ## Verizon
  - FMS/CDP Discount Plans: Must maintain 90% of baseline year's switched and special access circuits (FMS Plan) and channel terminations (CDP Plan) over a five year term to receive a discount. *Verizon South FCC Tariff No. 1, Secions 6.8.26, 7.2.13, 25.1; Verizon North FCC Tariff No. 11, Sections 6.2.12, 7.2.16 25.*

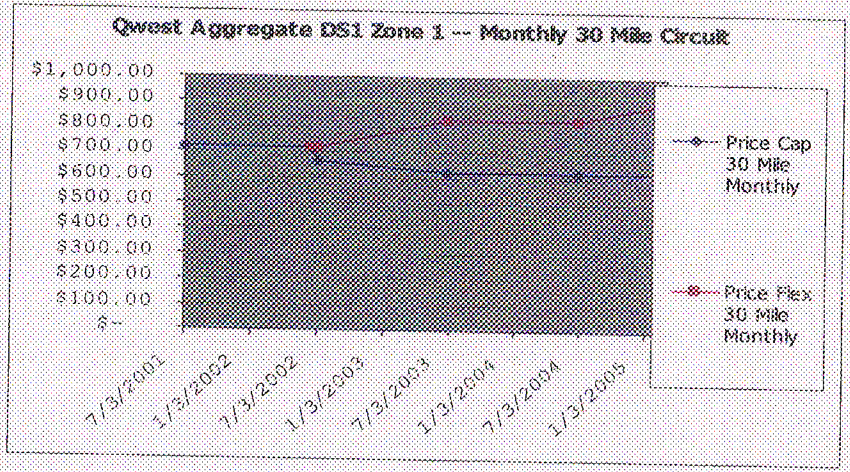
How Are Special Access Services Regulated?

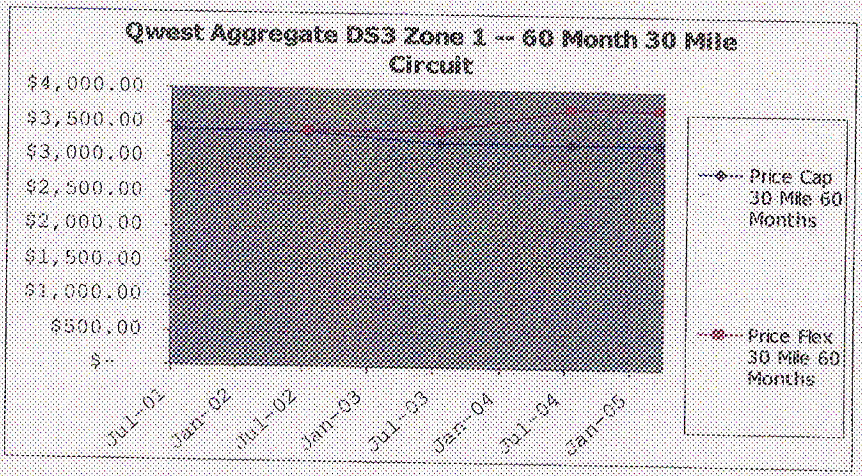
- **The majority of special access services are jurisdictionally interstate and thus regulated by the Federal Communications Commission**
- **In 1999, the FCC initiated a process of deregulating special access services**
  - Incumbent local exchange carriers could apply for Phase I and Phase II pricing flexibility upon a showing of sufficient competition
    - Under Phase I pricing flexibility, a price cap carrier may offer volume and term discounts and contract tariffs for interstate special access services unconstrained by the Commission's Part 61 rate level rules and Part 69 rate structure rules. To protect those customers that may lack competitive alternatives, however, the price cap LEC must continue to offer its generally available, price cap constrained (*i.e.*, subject to both Part 61 and Part 69) tariff rates for these services.
    - Under Phase II relief, a price cap carrier may file individualized special access contract tariffs, subject only to continuing to make available generalized special access tariff offerings. Neither the contract tariffs nor the general offerings are constrained by Part 61 or our Part 69 rules.
    - In the overwhelming majority of instances where local exchange carriers have been granted pricing flexibility, it has been under Phase II. Local exchange carriers therefore generally do not operate under Phase I pricing flexibility and special access customers have lost the protection of price cap regulation for an increasing percentage of their special access needs. **Over 50% of Global Crossing's special access spend is in Phase II areas.**

Special Access Pricing Trends









Special Access Pricing Trends